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September 6, 2005

John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square Suite 2300
San Francisco, California 94105

Re: Comment on FDIC Application # 20051977 – Wal-Mart application for Insurance and ILC charter

Dear Mr. Carter,

The purpose of this letter is to place before your agency our public comment on the above referenced FDIC insurance application by Wal-Mart for a Utah based industrial loan company (ILC).

I wish to note the public policy issues of mixing commerce with banking has been settled through prior denials of Wal-Mart's application at both the federal and state level. Although the application appears to narrowly define Wal-Mart's proposed activity, once the FDIC insurance and accompanied federal deposit safety net is extended to Wal-Mart's ILC, there will be little, if any, meaningful barriers to nationwide banking through the Wal-Mart system of approximately 3,600 retail outlets. This will result in the combination of the largest commercial enterprise with a Wal-Mart bank that will easily surpass the largest of any existing FDIC insured commercial bank. The Bank Insurance Fund (BIF) and the public assurance of deposit coverage in the environment of a mega financial institution within the umbrella of a super international corporation, where internal financial difficulties could easily spread to jeopardize the BIF and public confidence in the US. Banking system is a major public policy concern and needs to be addressed by Congress, not the FDIC.

Before I turn to the embedded conflicts of interest in a Wal-Mart retail operation and a Wal-Mart Bank in the same locale, I would like to place before you what Wal-Mart does to a small community like ours over time. Acknowledging that all business should be subject to the forces of free enterprise, the playing field is not level when Wal-Mart appears on a community's doorstep. Wal-Mart quickly becomes the major retailer and they use their vast size to simply push out competing businesses. Wal-Mart's appetite is insatiable in capturing market share as evident in their 30+ operating divisions under the umbrella of Wal-Mart. With Wal-Mart offering appliances, auto parts and service, general clothing, groceries, hardware, jewelry, pharmaceuticals, etc., competing businesses are simply squeezed out through aggressive pricing or wholesale merchandise purchasing power. Once local competition is eliminated, Wal-Mart is free to set prices designed to maximize profits. In the role as the dominate retailer, Wal-Mart is also free to extract maximum tax benefits from local officials through the implied risk of losing the tax base generated by Wal-Mart.

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Economically, Wal-Mart does not return to our community any realistic portion of the revenues transferred out of the community. In actuality, Wal-Mart provides only a token level of support to community service projects that are generally universally supported by local businesses. Case in point, our countywide economic development commission has both public and private funding support. All community banks in our county materially support the commission. While Wal-Mart benefits directly from the commission activities, over the years Wal-Mart has declined to provide any funding to this economic development project.

Since the opening of a Wal-Mart store, our little community has seen the demise of neighborhood grocery stores, hardware stores, men' clothing stores, and significant impairment of the communities pharmacists and auto parts businesses. The mere rumor of a possible re-location of the present Wal-Mart has local officials scrambling to preserve the tax base that will likely transfer limited tax benefits to Wal-Mart. Local business who built the community do not have the clout of a Wal-Mar, but are the foundation of the community and are the source of the communities economic health, not Wal-Mart. By any measurement, Wal-Mart simply extracts resources in small communities.

History should be our guide on what will happen if Wal-Mart proceeds with branch banking nationwide which is the only logical outcome of this application. Like Wal-Mart as a retailer, a Wal-Mart bank will simply take local deposits and transfer them to outlets that better meet corporate priorities. Exported deposits will no longer be available to fund local community credit needs. The impact on the community of losing reliable credit avenues is immeasurable, and will likely result in the long term regression of small communities like ours, a town of less than 6,000 located in rural Illinois.

The appearance of conflict of interests are numerous, however I will comment only on three.

1. Community Reinvestment – Federal deposit insurance carries the requirement that local deposits be invested in the community in which they are generated. Community banks naturally fulfill this function by concentrating on the needs and credit demands of the communities they serve. The people who derive their livelihood and work in community banks have a vested interest in their communities and first hand knowledge of the needs of their community. The corporate structure of Wal-Mart can neither know, nor appreciate the community credit needs of cities similar to ours. As every community banker knows, there are times when standard credit underwriting practices need to be set aside for the community good or for a specific individual consumer situation. However a Wal-Mart bank would simply employ standard credit scoring to administer its lending activities. Within a Wal-Mart umbrella, local deposits will simply be re-directed to satisfy corporate goals either on the commercial or even conceptually within the international arena.

2. Wal-Mart, operating a branch in our community, would then be in a position to obtain non-public information on the credit worthiness of competitors to its parent organization, such as a local hardware, auto parts or grocery stores. This information could readily be

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used to assist Wal-Mart in increasing its market share and the demise of the business loan applicant. Once the Wal-Mart branch bank has squeezed out competing banks remaining business and probable competitors of Wal-Mart are left with the uncomfortable situation of conducting routine banking business (deposit and loans) with their main competitor and contributing to that competitor's profit margin.

3. Wal-Mart would be a position to deny, restrict or curtail credit accommodations to its competitor(s) or to favor suppliers of Wal-Mart with lenient credit facilities. Conceptually, Wal-Mart could further squeeze a vendor supplying products for more favorable pricing through restrictive credit terms by their banking subsidiary or require banking relationships in return for doing commercial business with the enterprise.

A basic principal has worked well in our system of a definite separation of banking and commerce. The Wal-Mart application simply breaks down that successful separation with major public policy implications. Issues, such as further concentration of commercial power in one corporation. Co-mingling of the Bank Insurance Fund, and the acceleration of the long term disinvesting of capital in smaller communities need to be addressed by the public through their representatives in Congress and not an agency of the federal government. Wal-Mart demonstrated track record does not harbor well the applicant's non binding pledge to restrict banking to internal corporate banking practices.

For the reasons so stated, I urge the FDIC to reject the application for deposit insurance for a Wal-Mart ILC.

Sincerely,

Joe C. Steiner
President

cc: Senator Dick Durbin
Senator Barack Obama
Rep. Ray Lahood